

1 UNITED STATES DISTRICT COURT
2 NORTHERN DISTRICT OF CALIFORNIA
3 SAN JOSE DIVISION

4 CLEAR BLUE SPECIALTY INSURANCE
5 COMPANY,

6 Plaintiff,

7 v.

8 OZY MEDIA, INC., SAMIR RAO, CARLOS
9 WATSON, MARC LASRY, and LIFELINE
10 LEGACY HOLDINGS, LLC,

11 Defendant.

Case No. 5:21-cv-08764-EJD

12 **JOINT STATUS REPORT**

13 Pursuant to the Court’s order, dated November 16, 2023, counsel for Plaintiff Clear Blue
14 Specialty Insurance Company (“Clear Blue”), Defendants Ozy Media, Inc. (“Ozy Media”) and
15 Carlos Watson (“Mr. Watson” and together with Ozy Media, the “Insureds”), and intervenor Ford
16 O’Brien Landy LLP (“Ford O’Brien”) submit the following Joint Status Report.

17 The Insureds’ Statement

18 For all the reasons stated in our motion papers, the Insureds continue to maintain that the
19 applicable law and equities dictate that the limited insurance proceeds in this case should be
20 advanced toward the considerable defense costs for the upcoming criminal trial of Ozy Media and
21 Mr. Watson, and should not be diverted to pay any past defense costs.

22 In an attempt to achieve a prompt resolution of the impasse (and subject to a full
23 reservation of the Insureds’ rights, including appellate rights), we proposed a compromise under
24 which Ford O’Brien would receive \$50,000 of the insurance proceeds—an amount that would
25 more than compensate for any services the firm may have performed in connection with the
26 insurance recovery in this action. Ford O’Brien rejected that settlement offer and now asks the
27 Court to summarily award it all of the remaining insurance proceeds—\$954,839.58.

1 Ford O'Brien's request for nearly half the policy proceeds has no legal basis, and no
2 equitable justification, in light of, among other considerations, (1) the \$794,000 Ford O'Brien has
3 already paid for its pre-indictment representation of Ozy Media; (2) the critical defense costs for
4 the May 2024 criminal trial, attested to in the recent declaration of Mr. Watson's current defense
5 counsel, that will be left unfunded absent advancement from Clear Blue; and (3) the irreparable
6 harm that will result if the defense team is deprived of critical funding for the criminal trial.

7 Ford O'Brien's Statement

8 The two parties have exchanged settlement offers, but have been unable to reach agreement
9 on the disposition of the insurance proceeds.

10 Ford O'Brien Landy LLP ("FOBL") reiterated its earlier settlement proposal to divide the \$2
11 million insurance proceeds as follows:

- 12 1. \$1,250,000 (or 62.5% of the \$2 million total) to Carlos Watson;
- 13 2. \$750,000 (or 37.5% of the total) to FOBL.

14 Since Clear Blue has already distributed \$1,045,160.42 to Mr. Watson, this proposal would allow
15 Mr. Watson to receive an additional \$204,839.58.

16 Mr. Watson rejected this proposal, offering instead to remit to FOBL only \$50,000 of the
17 insurance proceeds. FOBL has rejected this offer.

18 In light of this history, we do not believe that further negotiations with Mr. Watson would be
19 fruitful.

20 We therefore respectfully request that the Court enforce the lien against the full amount of
21 undistributed insurance proceeds, or \$954,839.58, which represents 76% of the unpaid debt to our
22 firm which stands at \$1,255,871.87 (without interest). In the interest of saving judicial resources,
23 we are prepared to waive any claim to recoupment of the remaining balance of our lien as against
24 the insurance proceeds that have already been disbursed.

1 Clear Blue's Statement

2 Plaintiff Clear Blue Specialty Insurance Company ("Clear Blue") remains ready to comply
3 with the Court's future orders directing the further distribution of payments from the amounts
4 remaining from Clear Blue's \$2 million in policy limits.

5 Clear Blue has complied with the Court's prior order to advance defense costs on behalf of
6 Mr. Watson and its subsequent orders staying any further payments.

7 Clear Blue has taken no position on the allocation of remaining amounts between Mr.
8 Watson and Ford O'Brien following the Court's Order of November 3, 2023 granting Ford
9 O'Brien's motion to intervene. Rather, Clear Blue has asserted the position it adopted in its prior
10 motion to amend and for interpleader: As a stakeholder subject to potential multiple, conflicting
11 demands on its \$2 million in policy limits, it should not be forced to "determine at [its] peril which
12 claimant has the better claim." Lee v. W. Coast Life Ins. Co., 688 F.3d 1004, 1009 (9th Cir. 2012).

13 Without waiving any of its arguments or rights, Clear Blue will comply with the Court's
14 future orders on the disposition of the remaining amounts of Clear Blue's \$2 million policy limits
15 or, alternatively, implement any agreement to the disposition of those remaining amounts agreed to
16 by Mr. Watson and Ford O'Brien.

17 Dated: November 30, 2023

18
19
20 /s/ Todd S. Schenk
21 Todd S. Schenk (admitted pro hac vice)
22 Thomas D. Donofrio (admitted pro hac vice)
23 Tressler LLP
24 233 S. Wacker Drive, 61st Floor
25 Chicago, IL 60606
26 tschenk@tresslerllp.com
27 tdonofrio@tresslerllp.com
28 Telephone: 312.627.4000
Facsimile: 312.627.1717

Linda Bondi Morrison
Tressler LLP
2 Park Plaza, Suite 1050
Irvine, CA 92614
lmorrison@tresslerllp.com
Tel. (949) 336-1200
Fax. (949) 752-0645

Attorneys for Clear Blue Specialty Insurance

/s/ Bradley J. Nash
Bradley J. Nash (admitted pro hac vice)
Hoguet Newman Regal & Kenney, LLP
60 E. 42nd Street, 48th Floor
New York, NY 10165
bnash@hnrklaw.com
ehogan@hnrklaw.com
Telephone: (212) 689-8808

William J. Edelman (SBN 285177)
Patrick R. Delahunty (SBN 257439)
Delahunty & Edelman LLP
4 Embarcadero Center, Suite 1400
San Francisco, CA 94111
wedelman@delawllp.com
pdelahunty@delawllp.com
Telephone: (415) 891-6210

Attorneys for Ozy Media, Inc. and Carlos Watson

/s/
Kevin O'Brien, Esq. (admitted pro hac vice)
Alexander Shapiro, Esq. (admitted pro hac vice)
FORD O'BRIEN LANDY, LLP
275 Madison Avenue, 24th Floor
New York, New York 10016
Telephone: (212) 858-0040
Facsimile: (212) 256-1047
kobrien@fordobrien.com
ashapiro@fordobrien.com

Traci G. Choi, SBN 307245
ROSS, WOLCOTT, TEINERT & PROUT LLP
3151 Airway Ave., Suite S-1
Costa Mesa, California 92626
Telephone: (714) 444-3900
TChoi@RossLLP.com

Attorneys for Ford O'Brien Landy LLP